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PP RUEHIC
DE RUEHAA #0249/01 0570948
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P 260948Z FEB 10
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC 4299
INFO RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 6295
RUEHBJ/AMEMBASSY BEIJING 3965
RUEHKO/AMEMBASSY TOKYO 3824
RUEHIT/AMCONSUL ISTANBUL 4539
RUCNDT/USMISSION USUN NEW YORK 1505
RHMCSSU/CDR USCENTCOM MACDILL AFB FL
RUEHVEN/USMISSION USOSCE 4434
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC

UNCLAS SECTION 01 OF 02 ASHGABAT 000249

SENSITIVE

SIPDIS

STATE FOR SCA/CEN; EEB
COMMERCE FOR DSTARKS/EHOUSE

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TAGS: AMED EFIN ECON PGOV SOCI SNAR TX
SUBJECT: TURKMENISTAN'S MOST ACTIVE BLACK MARKETS

REF: A) 08 ASHGABAT 17; B) 08 ASHGABAT 1528

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¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) Foreign currency, imported alcohol and tobacco, and pharmaceuticals are the three most prominent items sold on the black markets in Turkmenistan. Until the Turkmen Government unified the exchange rates in 2008 (Ref A), currency exchange was one of the most common and profitable areas for black market activity. Retailers who purchased products overseas would go to black market currency traders to exchange their local manat for dollars. They could get a rate that was five times better than the official one. Since the unification of the exchange rate in 2008, black market currency traders are less common, but often deal in larger amounts of money. Under the country's anti-money laundering regime, anyone exchanging more than \$5,000 needs a certificate to prove where the money originated, and the bank will register the transaction. One black market currency trader told Embassy economic assistant that the anti-money laundering law saved his business. He provides his clients anonymity for their large transactions. In particular, alcohol and tobacco retailers frequently use black market currency traders' services to turn their manat to dollars.

¶3. (SBU) Another common underground market deals in the importation of alcohol and tobacco products to Turkmenistan. Turkmenistan's high excise taxes make it profitable for individuals to smuggle cigarettes and alcohol into the country. Often the people doing this are airline crews, who buy expensive hard liquor and cigarettes in duty free shops in Dubai, London, Ankara, and Istanbul, according to an Embassy contact who is a stewardess on Turkmenistan Airlines. This contact said that the market for high-end foreign alcohol is small in Turkmenistan because most Turkmen prefer the cheaper local alcohol. Therefore, tax inspectors and customs police often overlook the illegal activity in exchange for a share of

the profits, usually in the form of a bottle of alcohol. This acquiescence may be changing, because in January customs and tax officials reportedly raided several liquor stores in Ashgabat and fined shopkeepers who were selling Duty Free-stamped tobacco and alcohol products.

¶4. (SBU) The pharmaceuticals black market is one of Turkmenistan's largest. It developed in response to the Ministry of Health's restrictive licensing procedures for imported medicine (Ref B). Many companies either cannot afford or do not want to pay the high licensing fees to legally import medications. In addition, people smuggle banned medication into Turkmenistan, including products containing morphine or codeine. Smuggled medicines can be bought at bazaars from private vendors. They can also be found at pharmacies in cases where the medicine is legal to possess in Turkmenistan, but the importer did not pay a license fee to the government. An Embassy contact said that she bought expensive, good-quality Austrian medication at a pharmacy, knowing the drug was unlicensed. The medications sold illegally are generally cheaper than licensed ones. This particular black market raises public health concerns due to the large number of counterfeit products imported from Uzbekistan, India and Pakistan. The Customs Service and State Counternarcotics Service closely inspect the pharmaceuticals industry because of the potential for abuse by drug addicts.

¶5. (SBU) COMMENT: All three of these items sold on the black market have organized distribution networks, which include a division of labor between importer, distributor, and retailer. While seemingly successful in their illegal activities, black marketeers in Turkmenistan are not armed, and so pose little threat to the country's overall stability or security. END

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COMMENT.

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